

**Entertainment City Limited**

**Brickwork Ratings has revised the ratings for the Bank Loan Facility of ₹ 673.42 Crs of Entertainment City Limited.**

**Particulars :**

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present^		Previous (March,2020)	Present
<b>Fund Based</b>	<b>673.42</b>	<b>673.42</b>	<b>Long Term</b>	<b>BWR BBB (Stable)</b>	<b>BWR BB</b> (credit under watch with developing implications)
<b>Total</b>	<b>673.42</b>	<b>673.42</b>	<b>Rupees Six Hundred Seventy Three Crores and Forty Two Lakh Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities in Annexure-I

^ rating amount considered as per last rating review

**RATING ACTION / OUTLOOK**

BWR (Brickwork ratings) has revised Long Term rating to BWR BB (Stable) for the bank loan facilities of Entertainment City Limited (ECL or the company).

The revision of rating takes into account decline in revenue and negative profitability margins, deterioration in debt protection metrics, high leverage due to high debt levels, competition and delayed 3rd phase expansion, besides uncertainty of performance in the short to medium term. The rating, however, continues to draw comfort from the experienced promoters of the company, locational advantage, good reputation in the Delhi NCR Region.

The outlook has been revised to ‘credit watch with developing implications’ as the company has opted for one time restructuring in Aug,2020 due to Covid related stress. The eligibility of the account for one time restructuring due to COVID 19 related stress in terms of RBI circular RBI/2020-21/16/DOR.No.BP.BC/3/21.04.048/2020-21 dated 06 Aug,2020 has been confirmed by the lenders. The proposed restructuring plans is expected to mitigate liquidity constraints due to



Covid-19 pandemic. BWR will monitor the development and an appropriate rating will be assigned post implementation of resolution plans.

## KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY20, P&L projections upto FY22, publicly available information and information/clarification provided by the management.

### Credit Strengths :

- **Experienced Promoters:** The management of the Company lies with Managing Directors, Mr. Monny Vijeshwar under the guidance of Shri Gian Vijeshwar, Chairman and have decades of experience in the same line of business.
- **Diversified Revenue Sources and presence of escrow account:** Entertainment City continue to have various income sources which include, rental income from Garden Galleria, The Great India Mall, separate building for Kidzania, Common area maintenance charges from currently occupied tenants and sublessees, income from Amusement Park and other income from activation signages and kiosks, parking charges etc. All the revenue generated from various resources has to be routed through an escrow account maintained by the bank.
- **Locational advantage:** Project is located opposite to Noida Sector - 18 market which is a prime commercial and retail hub. Project has access to the Delhi Metro Sector 18 and Botanical Garden metro station, providing the site excellent connectivity and accessibility to Noida and all parts of NCR. Also the amusement park industry enjoys high entry barriers with the kind of investment required to set up the new one.

### Credit Weaknesses :

- **Declined total operating income and uncertainty :** Total operating income (excluding non operating income) has declined from Rs 207.55 Crs in FY19 to Rs 174.88 Crs in FY20. Further, The company registered revenues of only Rs 31.38 Crs in H1FY21 due to Covid 19 stress on the industry and expecting revenue below Rs 100 Crs in FY21. BWR is of the view that the performance uncertainty will remain short to medium term considering the Covid 19 situation and low footfalls in malls.
- **Declined and low net profit margins:-** Profitability margins of the company have declined in the last 3 years. The net profit margins of the company has declined from 1.15% in FY17 to 0.06% in FY18 and further declined to -(10.88)% Cr in FY19 due to



exceptional loss written off Rs 22.74 Cr. The net profit margins are still negative at -(5.78)% in FY20 However the operating profit margins have improved from 35.23% in FY19 to 38.94% in FY20.

- **Weak debt protection metrics :** The company debt protection metrics is weak, ISCR is 0.92x in FY20 against 1.12x in FY19 and DSCR is 1.04x in FY20 against 0.94x in FY19. ISCR and DSCR are expected to decline in FY21 due to the ongoing adverse impact on the industry due to Covid 19.
- **High leverage level:** The company has outstanding long term liability of more than Rs 673.42 Crs against a tangible net worth of Rs. 330.87 Crs as on 31st March 2020. The company has given loans and advances of more than Rs.235 crs. to related parties ,which if adjusted from Tangible Net Worth , would further increase the leverage level.
- **Intense Competition :** The intense competition due to construction of new Malls in and around the area of Noida could impact the footfalls in Galleria and GIP Mall.
- **Delayed 3rd phase Expansion :** Trampoline was expected to become operational in November 2019 and INOX in April 2020. But Keeping in view the prevailing economic downturn / sluggishness and weak consumer/market sentiments in the country, Entertainment City Ltd have decided to continue the construction of INOX and Trampoline moderately and cautiously for another few months in mutual interests to keep the novelty and uniqueness of the project alive when the economy progresses. Revised envisaged dates of completion have been set as April 2022 for INOX and September 2021 for Trampoline.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

## **RATING SENSITIVITIES**

**Positive:** The rating outlook may be revised to positive and rating may be upgraded in case there is an improvement in revenue, profit margins, debt protection metrics, liquidity, gearing and change in industry outlook.

**Negative:** The rating may be downgraded if the company achieves lower revenue and financial ratios than projected financials or further down turn of the industry continues due to impact of coronavirus.



## LIQUIDITY POSITION (Stretched)

Due to the ongoing Covid 19 related stress on the business the company has requested for one time restructuring due to liquidity stress.

## COMPANY PROFILE

ECL, incorporated in February 2002, is a subsidiary of International Amusement Ltd (IAL). ECL operates Entertainment City at Noida in Uttar Pradesh. The company was allotted 147.48 acres of land in 2002 on a 90-year lease for developing an amusement-cum-entertainment park and for other commercial purposes.

ECL developed the project in three phases and has - 1.72 million square feet of Floor Space Index (FSI) available for development after phase 3. The first phase saw development of a shopping mall, The Great India Place, and the Teen Zone of the amusement park named Worlds of Wonder, covering 44 acres.

The second phase covered a shopping mall, Gardens Galleria, and completion of the amusement and waterpark, on 84 acres of land. The third phase completion date was earlier at the end of year 2019 and mid of 2020 respectively but it has been extended to April 2022 for INOX and September 2021 for Trampoline due to prevailing economic downturn / sluggishness and weak consumer/market sentiments in the country.

The strategic and day to day management of the Company lies with Managing Directors, Mr. Monny Vijeshwar under the guidance of Shri Gian Vijeshwar, Chairman of the Company and founder of Appu Ghar, Delhi.

## KEY FINANCIAL INDICATORS

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Total Operating Income	Crs	207.55	174.88
OPBDIT	Crs	73.12	68.09
PAT	Crs	(22.58)	(10.11)
Tangible Net Worth	Crs	340.99	330.87
Total Debt/TNW	Times	2.10	2.12
Current Ratio	Times	0.62	0.59

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY : NA**

**RATING HISTORY FOR THE LAST 3 YEARS INCLUDING WITHDRAWN/SUSPENDED**

Facilities Availed	Current Rating (Dec 2020)		(Amount in (Rs. Crores))													
	Tenure	Amount (In Crs)	Rating	2020	2019	2018	2017									
Bank Loan Fund Based (FB)	Long Term	673.42	BWR BB (Credit watch with developing implications)  (Downgrade)	19.03.2020 <table border="1"> <tr> <td>FB</td> <td>673.42</td> <td>BWR BBB (Stable) (Downgrade)</td> </tr> </table>	FB	673.42	BWR BBB (Stable) (Downgrade)	10.01.2019 <table border="1"> <tr> <td>FB</td> <td>707.91</td> <td>BWR BBB+ (SO) (Stable) (Reaffirmation)</td> </tr> </table>	FB	707.91	BWR BBB+ (SO) (Stable) (Reaffirmation)	-	28.09.2017 <table border="1"> <tr> <td>FB</td> <td>800</td> <td>BWR BBB+ (SO) (Stable)</td> </tr> </table>	FB	800	BWR BBB+ (SO) (Stable)
FB	673.42	BWR BBB (Stable) (Downgrade)														
FB	707.91	BWR BBB+ (SO) (Stable) (Reaffirmation)														
FB	800	BWR BBB+ (SO) (Stable)														
<b>Total</b>		673.42	<b>INR Six Hundred Seventy Three Crores and Forty Two Lakh Only</b>													

*The rating was migrated to the Rating Not Reviewed category on 31 Dec 2018 and 13 Jan 2020 and*

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- **General Criteria**
- **Approach to Financial Ratios**
- **Service Sector**

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**Entertainment City Limited**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	OBC (Now PNB)	Term Loan/LRD	394.84	-	394.84
2.	PNB	Term Loan/LRD	278.58	-	278.58
<b>TOTAL</b>					<b>673.42</b>

**Total Rupees Six Hundred Seventy Three Crores and Forty Two Lakh Only**

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